Turnaround Factors - Overview

Turnaround factors fall broadly into two categories – organizational (internal) factors that are subject to intervention in influencing turnaround, and market (external) factors that can serve as enablers or constraints to intervention.

Market (External) Factors	Organization (Internal) Factors
Market position	Service line volume and market position
Hospital market structure	Revenue cycle management
Physician market structure	Resource utilization
Structure of health care finance market	Labor management
Population demographics	Supply chain management
Local economic factors	Physician relationships
	Faculty / employed physician productivity
	Cash flow / balance sheet
	Management capability and experience

Market (External) Factors

competitive strategy, but rarely in sufficient time to influence a turnaround. Market factors sometimes can be influenced over the long term through

- Market position
- Share
- ▶ Geographic coverage
- Control of unique services (children's hospital, transplant services)
- ▶ Consumer / Employer image ("indispensability")
- Hospital market structure
- Supply and demand of competitor hospitals (over/under capacity)
- Organization of competitor market (degree of consolidation)
- Physician market structure
- Supply and demand of physicians
- Specialty physician supply issues
- Degree of organization of physician marketplace
- ◆ Physician practice economics (managed care rates; malpractice issues)
- Physician control of hospital and / or ancillary capacity

- Structure of health care finance market
- Number of health plans
- Degree of market managed care penetration
- Type of health plan contracting arrangements (capitation, case rates, per diems, discounted charges, etc.)
- Prevailing government rates and eligibility standards (Medicaid; Uncompensated care assistance)
- Population demographics (e.g.,
 - ♣ Age (Medicare eligible)
- ◆ Stage of life (Women of childbearing age)
 - Socio-economic status (Medicaid enrollment)
- ◆ Health care use rates
- Disease incidence
- Local economic factors
- Unemployment rates (Uninsured)
- ◆ Degree of organization among employers

ILLUSTRATIVE

Application of Turnaround Factors

External market forces that impact the structure of the industry evolve over time, requiring long-term commitment to influence change.

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Disease incidence	
Local Economic Factors	
Unemployment rates	
Degree of organization among employees	
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Key:
High Impact
Moderate Impact

Source: BDC Advisors, LLC

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Organizational factors that are targets for intervention have the potential to effect a turnaround.

Organizational (Internal) Factors

Service Line Market Position

- Launch new service
- Recruit new physicians
- Referral source development
 - Scheduling practices
- Triage urgent care out of ER
 - Improve bed turnover
- Add ICU/Med-Surg capacity

Revenue Cycle Management

- Adjust service mix to target more attractive payors
- Rationalize price/volume relationships
- Confront/cancel poor performing contracts
 - Improve billing efficiency
- Pursue uncompensated care relief through legislature

Labor Management

- Develop census-based staffing
- Raise authorization levels for overtime
 - Consolidate agency hiring
- Implement recruiting/retention programs
 - Benchmark wage and benefits
- Re-negotiate onerous work rules

Physician Relationships

- Implement medical advisory board
- Ensure engaged, empowered medical leadership
 - Monitor and control medical director fees
- ◆ Focus on issues important to efficient medical practice
- Appropriate technology availability
- Recruit star quality leaders and providers

Faculty Physician Productivity

- Benchmark physician productivity and compensation
- Implement compensation based on productivity, collections
- Benchmark practice operations and costs
 - ◆ Consolidate small practices
- Differentiate between hospital and physician support staff in compensation package

Cash Flow / Balance Sheet

- Improve current accounts balance
 - Monetize fixed assets
- ◆ Divest non-core businesses
 - Restructure debt
- Establish development program

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Turnaround Factors - Timing

Turnaround interventions vary in terms of the length of time required to have an impact and the risk associated with external market influence.

Rationalize price / volume to balance Pursue uncompensated care relief through legislature Exert political pressure to balance Leverage political relationships Establish development program	Implement cafeteria benefits Re-negotiate onerous work rules Adjust service mix / geography to target more attractive payors Monitor and control medical director fees Implement compensation based on productivity, practice collections Launch new service	
Referral source development Triage urgent care out of ER Improve billing efficiency Implement recruiting / retention program to maintain full staffing Ensure engaged, empowered medical leadership Reduce length of stay Monetize fixed assets Divest assets and non-core business	t ed t	orisolidate small physician practices
Change scheduling practices to improve access Improve bed turnover Develop census-based staffing standards Raise authorization levels for overtime use Consolidate agency hiring Ensure appropriate use of buying groups Control supply / drug sales rep access to staff	Enforce formulary A/R management A/P management Implement medical advisory board	
ation Risk erate Low		

0 - 3 Months

3-12 Months

12 - 24 Months

24 - 60 Months

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